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Media Release

A Budget of Fiscal Manoeuvrability - MEA

The national Budget 2018 is a reflection of a growing economy and a fiscal situation which is allowing government more manoeuvrability and fiscal space to introduce a range of targeted measures to seek a better balance between economic social and environmental objectives. The increase in the number of persons in employment, the reduction in public debt to 57% of GDP, real GDP growth in excess of 5%, record low unemployment and inflation below 1.5% are all positive macro-economic indicators which have enabled government to introduce a number of measures to benefit various sectors of the economy. This is occurring against a background of global economic growth, but with the projected growth in Malta, at 5.6%, expected to be in excess of global growth and ahead of economic growth in the Eurozone, crawling at 1.8%.

The contentious public holidays issue has been somewhat subdued for 2018 with an additional one day leave to employees. This should give sufficient breathing space for the social partners to address the strain on competitiveness which a reduction in productive days entail, and design compensatory measures. The increase in the Vat thresholds from €14k to €20k should be a welcome measure to many SMEs and is a good way of recognising their contribution to the economy, together with the increase of the Microinvest funds from 30k to 50k, and to 70k in Gozo. The Association also welcomes the measure whereby employers can offset outstanding balances with amounts owed by government to improve liquidity.

On the social front, the budget contains numerous benefits aimed at improving the situation of pensioners, and addressing the property and rental markets without destabilising such markets. The budget also looks ahead of the one year term of the budget and addresses longer term issues such as transport, the gas pipeline and the setting up of a committee to analyse the impact of Brexit on the Maltese economy.

A point of criticism of the budget is the lack of new sectors of investment, although the idea of setting Malta as a centre of excellence for blockchains carries considerable potential. Also, the speech was a bit hazy about Air Malta's future.

The general thrust of the current economic growth seems to stem from an increase in the number of persons in employment, which is in itself the source of demographic, social and environmental challenges. In fact, one of the main issues facing employers in Malta is the shortage of manpower. In the near future, we need to focus on how economic growth can be generated through a stronger emphasis on increased output per person by shifting to higher value added activities through new economic sectors and also by upgrading existing ones. This will be conducive to a growth which is more sustainable. Government should also push for more control of its own spending to maintain a healthy fiscal balance in the years to come which in turn, will allow for even further fiscal space for sound economic management.